

Proposed Approach to Cost Causation Analysis and Rate Design

Working Group

- Working Group has duly recognized the need for review of alternatives including status quo
- The scope of work identified by the working group is very broad which raises the question whether the deliverables could be completed within a reasonable timeframe
- While working group exercise has been useful thus far, time is of the essence and the AESO has primary responsibility for deliverables
- While all parties are agreed on the key principles, the interpretation of those principles has been and will be contentious
- The controversial nature of the issues makes it unlikely that consensus could be achieved in a reasonable amount of time through working group process

Outcomes as per TOR

- Meeting the requirements of legislation;
- Identifying, developing and evaluating a comprehensive list of options for allocating capacity costs and bulk and regional transmission costs;
- Mitigating or minimizing as much as possible the risk of load defections or bypass; and
- Achieving consistency among tariff components (e.g., consistency across energy, capacity, transmission and distribution such that different tariff provisions remain aligned as much as possible)

Proposal

- The Consultation approach could be structured along the lines the AESO undertook in the context of the capacity market design where parties made submission on various capacity market components, in response to AESO straw man proposals
- A similar process for the transmission tariffs could be efficient, going forward
- Any solution to the transmission tariffs issue must be comprehensive and reflect balancing of competing objectives
- Reviewing 12CP involves reviewing relevant aspects of cost of service, rate design and contracting practices in a wholistic manner, because of interrelationships between components

First Step

- The Tariff design Advisory Group Tutorial and the Transmission cost studies presented on Nov 30, 2018 helped inform all parties respecting historical practices and practices in other jurisdictions
- All Advisory group members are sufficiently informed to make principle based submissions to AESO
- Each party to identify and describe its proposed approach with respect to each major component of the Transmission Tariff Review exercise and provide reasons why it believes the proposed approach meets the key principles set out in the TOR

Components to be Included in submissions (Comments Template)

- **Cost of Service Study**

- Functionalization philosophy, criteria and method for, bulk, regional and POD costs
- Classification of each cost component into energy, demand and customer
- Allocation of each cost component to rate classes (DTS, STS etc.)

- **Rate Design**

- Interpretation of TOR guiding principles as applicable to rate design (DTS, STS etc.)
- Rate impact analysis and rate impact mitigation

- **Terms and Conditions (T&C)**

- Contracting practices

Step 2

- The AESO takes the Comments and conducts its own analysis of cost causation and rate design having regard to the agreed upon TOR principles
- AESO must commit reasonable resources to carry out the analysis that may be required to assess and evaluate the positions put forward by a party
- AESO decides on a comprehensive proposal and explains why it chose a particular path for cost allocation/rate design, among alternatives
- AESO proposals presented to the Advisory group for comment and feedback
- AESO incorporates feedback to the extent it considers appropriate and prepares filing to AUC